



Investment Office

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April 14, 2006

AGENDA ITEM 4a

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

- I. SUBJECT:** Revision of Global Public Real Estate Equity Securities (Global PREES)
- II. PROGRAM:** Real Estate – Global PREES
- III. RECOMMENDATION:** Approve the amendment to the Global PREES Statement of Investment Policy to allow for internal management of international PREES on a passive basis (in addition to external active management)
- IV. ANALYSIS:**

On February 14, 2006, the Investment Committee approved Staff's recommendation to immediately launch an internally managed international PREES portfolio. The portfolio was to be managed passively and its purpose was to address the current underweight to real estate in CalPERS' asset allocation. It was indicated that Staff would subsequently amend the investment policy accordingly.

The Global PREES Statement of Investment Policy currently allows only for active external management of international securities. The policy change allows Staff to manage a portfolio of international securities on a passive basis. This means that Staff is able to hold the securities that replicate a benchmark. The benchmark chosen was the EPRA/NAREIT Global ex-US.

Staff may unwind the internally managed PREES portfolio and transfer it to external managers pursuant to the March 16th, 2006 International PREES RFP, or, Staff may choose to retain the internally managed portfolio in response to asset allocation issues or market conditions. In any case, Staff will keep the allocation to PREES within the policy limits as outlined on page 13 of the Equity Real Estate Investment Policy, which limits the allocation to PREES to 25% of the Total Equity Real Estate Portfolio.

Wilshire's and PCA's concurrence letters are attached.

V. STRATEGIC PLAN:

This item supports Goal IX to achieve long-term, sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

This policy amendment will align policy with Investment Committee decisions.

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Investment Officer

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